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IMPERIAL GENERAL PROPERTIES LIMITED
ANNUAL REPORT 1975

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FINANCIAL HIGHLIGHTS

	1975	1974
Total Assets	$62,126,000	$54,005,000
Shareholders' Equity	11,240,000	10,482,000
Rental Revenue	5,854,000	4,200,000
Net Earnings	758,000	736,000
Cash Provided from Operations	2,161,000	2,225,000
Number of Shares	1,250,000	1,250,000
Shareholders' Equity per Share	$8.99	$8.39
Net Earnings per Share	$0.61	$0.59
Cash Flow per Share	$1.73	$1.78

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REPORT TO SHAREHOLDERS

On behalf of the Board of Directors I am pleased to present our annual report for the year ended October 31, 1975. As expected the asset growth experienced by your company during the past several years had a considerable impact on earnings from operations for the 1975 fiscal year.

Net earnings for the year were $758,000 or 61 cents per share compared to $736,000 or 59 cents per share for the previous year. During the current period earnings derived from the sale of properties amounted to $37,000 or 3 cents per share compared to $265,000 21 cents per share for the corresponding period a year ago. Although the change in overall earnings is relatively small it is important to direct your attention to the improvement of 20 cents per share in earnings before income from the sale of properties,an increase of 53% over 1974.

Cash Flow from operations amounting to $2,161,000 or $1.73 per share, was practically unchanged from that of the previous year.

During 1975, your company completed construction of the 5 tower-859 suite apartment rental project in Scarborough. This project is now more than 90% occupied and it is expected that the fifth and final building will enter the income stream and be making a contribution to profit by April 1.

At the beginning of 1975, Imperial General was forced to cope with a number of factors which ultimately led to the decision to temporarily curtail any new investment in our traditional markets — high-rise rental accommodation and industrial facilities for the plant and warehouse user. These factors were primarily the high cost of money, material shortages and severely escalated construction costs. Shortage of material is no longer a problem of any significant magnitude, but high construction costs and interest rates continue as we enter 1976. Now other factors as well weigh heavily in the determination of investment direction. In the industrial and commercial sector abnormal vacancies exist, in the residential rental market we have been overtaken by the establishment of rent controls.

In theory, new buildings first offered for rent after January 1, 1976 are exempt from the provincial rent review legislation. Having witnessed the political and emotional factors which led to the birth of this particular legislation, it is extremely difficult to generate sufficient assurance that, once having committed investment funds to the provision of rental accommodation, the "ground rules" will remain unchanged and not be subject to the expediency of some political end. In this particular segment of the industry where the return on investment has historically been totally unacceptable, we must now operate on the basis that the best possible situation we can expect is the recovery of increases in operating costs. The provincial legislation must be amended to recognize the spirit of the federal anti-inflation program where those responsible for implementation are at least, permitted to consider the return on one's investment, and not have to administer under an Act that reads, in part . . . "the Rent Review Officer shall consider whether or not the increase in rent sought by the landlord is necessary in order to prevent the landlord sustaining a financial loss in the operation of the building in which the residential premises are situate." (The Residential Premises Rent Review Act, 1975, Section 7).

Surely the government will come to the realization that to foster any participation by private industry in the provision of rental accommodation, there must be recognition that the project will have the opportunity to provide the owner with something more than a break-even position — that it will in fact provide a reasonable return on the owner's investment. Ontario must recognize that private capital will quickly dry up unless steps are taken immediately to convince potential investors that this particular piece of legislation will in fact end in July 1977 or at least to guarantee that its life span will not exceed that of the federal anti-inflation program.

For the fiscal year ending in 1976 Imperial General will not experience the growth in assets and earnings evident for the past few years — however, you can be assured that your directors and management are continually examining avenues for growth and improvement in the return of your investment.

R. J. PRUSAC
Chairman of the Board
and President

Toronto, February 10, 1976

IMPERIAL GENERAL PROPERTIES LIMITED
and its subsidiary

CONSOLIDATED BALANCE SHEET
OCTOBER 31, 1975

ASSETS

	1975	1974
Land held for development, at cost (note 2)	$ 2,886,000	$ 2,695,000
Properties under construction, at cost (note 2)	3,798,000	12,168,000
Income properties less accumulated depreciation (note 3)	48,409,000	32,220,000
Mortgages receivable (note 4)	4,199,000	4,304,000
Deferred charges less amortization (note 5)	693,000	641,000
Accounts receivable	442,000	373,000
Claim receivable (note 6)	1,293,000	1,293,000
Prepayments and other assets	406,000	311,000
	$62,126,000	$54,005,000

On behalf of the Board:

R. J. PRUSAC, *Director*

T. S. RIPLEY, *Director*

(See accompanying notes)

LIABILITIES

	1975	1974
Bank indebtedness (note 7)	$ 3,536,000	$ 2,225,000
Accounts payable	1,166,000	3,960,000
Tenants' deposits	612,000	361,000
Mortgages payable:		
On land held for development (note 8)	1,359,000	1,379,000
On properties under construction (note 9)	3,228,000	7,339,000
On income properties (note 10)	33,051,000	21,110,000
Provision for prior years' income taxes (note 6)	25,000	25,000
Deferred income taxes	4,244,000	3,381,000
Deferred income on sale of properties (note 11)	3,665,000	3,743,000
	50,886,000	43,523,000

SHAREHOLDERS' EQUITY

	1975	1974
Capital stock (note 12):		
Authorized:		
250,000 preference shares with a par value of $20 each, issuable in series		
3,000,000 common shares without par value		
Issued:		
1,250,000 common shares	7,985,000	7,985,000
Contributed surplus (note 6)	1,275,000	1,275,000
Retained earnings	1,980,000	1,222,000
	11,240,000	10,482,000
	$62,126,000	$54,005,000

CONSOLIDATED STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 1975

	1975	1974
Rental revenue	$5,854,000	$4,200,000
Rental expenses:		
Mortgage interest	2,342,000	1,748,000
Property operating expenses	1,620,000	1,057,000
Depreciation (note 3)	406,000	293,000
	4,368,000	3,098,000
Earnings from rental operations	1,486,000	1,102,000
Sale of properties		5,537,000
Cost of properties sold		1,210,000
Income on sale of properties		4,327,000
Less income deferred to future periods (note 11)		3,743,000
		584,000
Income from prior year's sales (note 11)	78,000	
Interest and other income	405,000	200,000
	1,969,000	1,886,000
Expenses:		
General and administrative, including depreciation of $20,000 ($23,000 in 1974)	228,000	225,000
Interest on general borrowings	120,000	58,000
	348,000	283,000
Earnings before taxes on income	1,621,000	1,603,000
Provision for deferred income taxes	863,000	867,000
Net earnings for the year	758,000	736,000
Retained earnings, beginning of year	1,222,000	486,000
Retained earnings, end of year	$1,980,000	$1,222,000
Net earnings per share	$0.61	$0.59

(See accompanying notes)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF CASH

FOR THE YEAR ENDED OCTOBER 31, 1975

	1975	1974
Sources of cash:		
Earnings before income on sale of properties, taxes on income and income from prior year's sales	$1,543,000	$1,019,000
Add charges not requiring a cash outlay:		
Depreciation	426,000	316,000
Amortization	92,000	90,000
	2,061,000	1,425,000
Sale of properties -		
Proceeds on sale		5,537,000
Proceeds from prior year's sales	100,000	
Deduct:		
Mortgages taken back on sale		4,243,000
Mortgage payable assumed by purchaser		494,000
		4,737,000
	100,000	800,000
Cash provided from operations	2,161,000	2,225,000
Proceeds of mortgage financing	8,304,000	8,126,000
Proceeds on discharge of mortgages receivable	5,000	126,000
Increase in -		
Accounts payable		1,863,000
Tenants' deposits	251,000	104,000
Bank indebtedness net of cash	1,311,000	1,694,000
Total sources of cash	$12,032,000	$14,138,000
Applications of cash:		
Investment in real estate holdings	$ 8,418,000	$11,687,000
Decrease in accounts payable	2,794,000	
Mortgage principal repayments and refunding	494,000	1,451,000
Payment of tax under prior years' re-assessments		500,000
Increase in deferred charges	144,000	376,000
Cash applied to other assets and liabilities	182,000	124,000
Total applications of cash	$12,032,000	$14,138,000

5,854
78
5,932
5,405
6,337,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Consolidation*
The consolidated financial statements include the accounts of the company and its subsidiary, Northline Realty Limited.

2. *Accounting for land held for development and properties under construction*
Capitalization of costs -
The company capitalizes the following costs on properties under construction and land held for development to the extent that the accumulated costs do not exceed the estimated net realizable value of the property:
- Direct carrying costs such as mortgage interest, realty taxes and professional fees where such are identifiable with specific properties;
- Administrative overhead and interest on general borrowings considered applicable;
- Operating expenses less rental income incidentally incurred and received on land held for development. For properties under construction, all income and operating expenses are capitalized until such time as the break-even point in cash flow from the property is attained.

Amounts capitalized as part of land held for development and properties under construction may be summarized as follows:

	1975	1974
Direct carrying charges, net of rental income and expense....	$519,000	$568,000
Interest on general borrowings..	134,000	159,000
Administrative overhead..........	184,000	188,000
	$837,000	$915,000

3. *Income properties*
Income properties consist of the following:

	1975	1974
Land	$ 7,839,000	$ 5,576,000
Buildings	42,175,000	27,843,000
	50,014,000	33,419,000
Less accumulated depreciation on buildings	1,605,000	1,199,000
	$48,409,000	$32,220,000

Income properties owned on November 1, 1968 are carried in the accounts at appraised values (i.e. fair market value) determined by The Montreal Trust Company as at September 30, 1968. Subsequent additions have been recorded at cost.

The carrying values of buildings are depreciated using the sinking fund method. Under this method, the depreciation charged to income for a particular building increases annually as it includes a fixed annual provision plus an amount equivalent to interest thereon compounded annually at 5%.

Industrial and commercial buildings are depreciated over forty years and apartment buildings over fifty years.

4. *Mortgages receivable*
Mortgages receivable which bear interest at an average rate of 9% per annum include first mortgages of $3,655,000 and second mortgages of $544,000. The combined principal repayments in respect of the mortgages may be summarized as follows:

Year ending October 31,	1976	$ 101,000
	1977	102,000
	1978	102,000
	1979	3,845,000
	1980	2,000
	1981 and subsequent	47,000
		$ 4,199,000

5. *Deferred charges*
It is the company's policy to defer leasing costs and the cost of arranging mortgage financing and to amortize these amounts on a straight-line basis over the term of the related leases or mortgages. Amortization charged to income (included in property operating expenses) amounted to $92,000 in 1975 and $90,000 in 1974.

6. *Claim receivable and contributed surplus*
On February 29, 1972, Morenish Land Developments Limited acquired from two vendors a total of 920,000 issued and outstanding common shares of the company. In connection with that transaction, each of the vendors agreed with the company to pay to the company any amounts, as defined, not reflected in the calculation of shareholders' equity as shown on the consolidated financial statements of the company as at October 31, 1971 including amounts (if any) in excess of $800,000 for income taxes and interest and penalties thereon payable

by the company and its subsidiaries for periods up to and including October 31, 1971.

Re-assessments of income taxes relating to the company and the predecessor companies amalgamated in 1968 have been received totalling approximately $1,500,000, including interest, in respect of the years 1962-1971 inclusive. No precise determination can be made of the ultimate liability at this time since the assessments are under appeal but the maximum liability has been recognized in the accounts by provisions totalling $1,500,000. Payments of $1,475,000 have been made to October 31, 1975 in respect of the assessments. Negotiations with the Department of National Revenue are proceeding in the hope that the company's liability can be finalized.

Because of the indemnity provisions the maximum liability to be borne by the company without reimbursement is $800,000 and accordingly an amount of $700,000 has been recognized as recoverable from the vendors with a corresponding credit to contributed surplus. The company has recognized certain other amounts which are recoverable from the vendors and has therefore recorded an amount receivable of $575,000. Costs of $18,000 incurred since 1972 with respect to the claim were recorded in the accounts.

In the opinion of legal counsel it is expected that a claim for these amounts will be successful. Payment to the company of any claim successfully established against the vendors is recoverable from the unpaid portion of the purchase price due to them from Morenish Land Developments Limited. The vendors have commenced legal proceedings denying any liability for payment of the claim. Any adjustments in the amount of the claim subsequent to October 31, 1972 will be recognized in the accounts as the matters are resolved.

7. *Bank indebtedness*

As security for its bank indebtedness the company has issued to its bankers demand debentures secured by a floating charge on the assets and undertakings of the company.

8. *Mortgages on land held for development*

Mortgages on land held for development consist of first mortgages bearing interest at an average rate of 9% per annum and are repayable as to principal as follows:

Year ending October 31, 1976	$ 368,000
1977	20,000
1978	971,000
	$1,359,000

9. *Mortgages on properties under construction*

Mortgages on properties under construction include advances received on permanent mortgages bearing interest at an average rate of 8.89% per annum and are repayable as to principal as follows:

Year ending October 31, 1976	$ 15,000
1977	16,000
1978	17,000
1979	19,000
1980	20,000
1981 and subsequent	3,141,000
	$3,228,000

10. *Mortgages on income properties*

Mortgages on income properties consist of first mortgages bearing interest at an average rate of 9.11% per annum and are repayable as to principal as follows:

Year ending October 31, 1976	$ 1,691,000
1977	1,227,000
1978	2,382,000
1979	736,000
1980	499,000
1981 and subsequent	26,516,000
	$33,051,000

11. *Deferred income on sale of properties*

During 1974 the company entered into agreements of sale in respect of certain properties. Of the income on these sales, $3,743,000, before provision for income taxes, was deferred and is being recognized, in the accounts, as the proceeds of the sale are realized.

This accounting treatment is in conformity with the guidelines established by the Ontario Securities Commission concerning revenue recognition on real estate transactions.

12. *Capital stock*

At October 31, 1975 the company had reserved 50,000 shares for issuance under an employees' stock option plan. No accounting is made in respect of stock options until such time as they are exercised. At the time of exercise the proceeds are credited to share capital. The grantee, in lieu of purchasing the optioned shares, may request payment in shares of common stock for the increase in the market value of the stock over the option price.

Changes in options during the year ended October 31, 1975 were as follows:

Price per share	Expiry date	Balance October 31, 1974	Cancelled during the year	Balance October 31, 1975
$3.60	1978	4,650		4,650
$3.25	1979	10,500	1,000	9,500
		15,150	1,000	14,150

Options granted may be exercised as to one-fifth each year on a cumulative basis.

13. *Statutory information*

Aggregate direct remuneration of directors and senior officers (as such are defined under The Business Corporations Act) was $155,000 in 1975 and $133,000 in 1974.

AUDITORS' REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

14. *Government controls*

Anti-Inflation Program -

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends.

Rent Review Program -

Effective July 31, 1975, the Ontario government passed the Residential Premises Rent Review Act, 1975 which is scheduled to be in force until August 1, 1977. Under this legislation the company is subject to application to the Rent Review Board for approval of rental rates charged to its residential tenants.

The effects on the company of these programs insofar as they apply to rental income, profits and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the company's records.

Clarkson, Gordon & Co.

Chartered Accountants

To the Shareholders of
Imperial General Properties Limited:

We have examined the consolidated balance sheet of Imperial General Properties Limited and its subsidiary as at October 31, 1975 and the consolidated statements of net earnings and retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at October 31, 1975 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 10, 1976

Clarkson, Gordon & Co.
Chartered Accountants

CORPORATE INFORMATION

DIRECTORS
M. B. Deans
H. C. Kerr, Q.C.
R. J. Prusac
T. S. Ripley

OFFICERS
R. J. Prusac, Chairman of the Board and President
H. C. Kerr, Q.C., Secretary-Treasurer
H. K. Brown, General Manager
R. P. Meacher, Comptroller

REGISTRAR & TRANSFER AGENT
Metropolitan Trust Company

AUDITORS
Clarkson, Gordon & Co.

HEAD OFFICE
25 Wingold Avenue
Toronto, Ontario
M6B 1P8

IMPERIAL GENERAL PROPERTIES LIMITED

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IMPERIAL GENERAL PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF CASH
FOR THE SIX MONTHS ENDED APRIL 30, 1975
(Unaudited)

	1975	1974
SOURCE OF CASH:		
Operations:		
Net Earnings	**$ 352,000**	$ 184,000
Expenses not requiring cash:		
Deferred Income Taxes	**401,000**	216,000
Depreciation	**188,000**	156,000
Amortization	**43,000**	55,000
	984,000	611,000
Cash from prior year's Sales of Properties:		
Proceeds from Mortgages	**50,000**	
Less realized Deferred Income included in Net Earnings	**39,000**	
	11,000	
Cash provided from Operations	**995,000**	611,000
Proceeds of Mortgage Financing	**6,898,000**	1,700,000
Tenants and Other Deposits	**106,000**	
Increased Bank Indebtedness		1,780,000
Net Cash from Other Assets and Liabilities		360,000
	$7,999,000	$4,451,000
APPLICATIONS OF CASH:		
Investment in Real Estate Holdings	**$6,287,000**	$3,136,000
Mortgage Principal Repayments	**259,000**	258,000
Payments of Prior Year's Income Taxes		480,000
Decrease in Accounts Payable	**990,000**	322,000
Increase in Deferred Charges	**130,000**	255,000
Net Cash applied to Other Assets and Liabilities	**143,000**	
Decreased Bank Indebtedness	**190,000**	
	$7,999,000	$4,451,000
Cash Flow from Operations	80¢	49¢

IMPERIAL GENERAL PROPERTIES LIMITED

INTERIM REPORT TO SHAREHOLDERS

6 MONTHS ENDED APRIL 30, 1975

TO THE SHAREHOLDERS:

Earnings for the six months ended April 30, 1975 were $352,000 or 28 cents per share compared to $184,000 or 15 cents per share for the similar period last year. Cash flow from operations amounted to 80 cents per share compared to 49 cents for the six months ended April 30, 1974.

Earnings for the current period include profit realized from the 1974 sale of properties amounting to $19,000 or 1.5 cents per share. There was no corresponding amount included in the first six months of 1974.

In the construction division, our major apartment rental project at Finch and Warden is nearing completion. To date 63% of the 859 suites have been rented. With the continuation of a satisfactory rental market, we expect full occupancy by the end of this calendar year.

An addition of some 37,000 square feet to one of our industrial buildings has been recently completed and occupied. While our current vacancy in the industrial portfolio is very low, we do expect to encounter some vacancy in the second half as leases on approximately 200,000 square feet expire.

I am confident that results for the second half of this fiscal year will continue at or near the level experienced in the first six months.

R. J. PRUSAC,
Chairman of the Board
and President

June, 1975

IMPERIAL GENERAL PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF NET EARNINGS
FOR THE SIX MONTHS ENDED APRIL 30, 1975
(Unaudited)

	1975	1974
Rental Revenue	**$2,548,000**	$1,991,000
Rental Expenses:		
Mortgage Interest	**1,012,000**	840,000
Property Operating Expenses	**686,000**	515,000
Depreciation	**177,000**	144,000
	1,875,000	1,499,000
Earnings from Rental Operations	**673,000**	492,000
Realized Deferred Income on Prior Year's Sales of Properties	**39,000**	
Interest and Other Income	**198,000**	12,000
Earnings before the following	**910,000**	504,000
General and Administrative Expenses	**93,000**	93,000
Interest on General Borrowings	**53,000**	
Depreciation	**11,000**	12,000
	157,000	105,000
Earnings before Taxes on Income	**753,000**	399,000
Provision for Deferred Income Taxes	**401,000**	215,000
NET EARNINGS	**$ 352,000**	$ 184,000
Earnings per share	28¢	15¢